

Message Text

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71

ACTION EUR-12

INFO OCT-01 ISO-00 AID-05 CIAE-00 COME-00 EB-07 FRB-03

INR-07 NSAE-00 USIA-06 TRSE-00 XMB-02 OPIC-03 SP-02

CIEP-01 LAB-04 SIL-01 OMB-01 DODE-00 PA-01 PRS-01

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R 281343Z SEP 76

FM AMEMBASSY STOCKHOLM

TO SECSTATE WASHDC 8772

INFO AMEMBASSY BONN

AMEMBASSY COPENHAGEN

AMEMBASSY HELSINKI

AMEMBASSY LONDON

AMEMBASSY OSLO

AMEMBASSY PARIS

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E.O. 11652: N/A

TAGS: EFIN, SW

SUBJECT: SWEDISH FOREIGN EXCHANGE RESERVE LOSS ATTRIBUTED TO
SPECULATION ON DMARK REVALUATION

1. SWEDISH PRESS REPORTS, AND RIKSBANK SOURCES CONFIRM,
A "SIZABLE" REDUCTION IN SWEDISH FOREIGN EXCHANGE RESERVES.
RIKSBANK GOVERNOR WICKMAN ADMITTED IN A PRESS INTERVIEW
SEPTEMBER 27 THAT RESERVES DECLINED BY SKR ONE BILLION
RECENTLY. RIKSBANK DIRECTOR EKLOF CONFIRMED TO EMBOFF THAT
OFFICIAL RESERVES DECLINED IN THE WEEK ENDING SEPTEMBER 23
BY SKR 930 MILLION. THIS FOLLOWS A REDUCTION OF OVER ONE
BILLION KRONER IN THE MONTH OF AUGUST.

2. WICKMAN ATTRIBUTED THE LOSS TO SPECULATION THAT THE
DMARK WOULD BE REVALUED WITHIN THE SNAKE. HE SAID THAT
COMMERCIAL BANK HOLDINGS OF MARKS HAD BEEN DEPLETED, THUS
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MAKING RIKSBANK SALES OF DMARKS TO BANKS IMPERATIVE. HE

ALSO NOTED THAT MANY SWEDISH IMPORTERS ARE "SCURRYING" TO PAY DOLLARS, AS THEY BELIEVE THE DOLLAR WILL NOT DEPRECIATE FURTHER VIS A VIS THE KRONER (ONE DOLLAR EQUALS 4.32 KRONER ON SEPTEMBER 28). EKLOF CONFIRMED THAT MANY SWEDISH IMPORTERS AND BORROWERS OF DOLLARS HAVE HASTENED TO REPAY DOLLAR DEBTS. THIS INCREASE IN DEMAND FOR DOLLARS HAS NOT YET BEEN REFLECTED IN AN APPRECIATION OF THE VALUE OF THE DOLLAR PROBABLY BECAUSE SOME SPECULATION HAS INVOLVED MOVEMENTS FROM THE DOLLAR INTO MARKS. THE RIKSBANK HAS, HOWEVER, EXPERIENCED A REDUCTION IN DOLLAR AS WELL AS MARK RESERVES.

3. WICKMAN IN PUBLIC AND EKLOF IN PRIVATE INSIST THAT THE POSITION OF THE KRONER REMAINS SOUND. SWEDISH RESERVES ARE QUITE LARGE, AS A PERCENTAGE OF ITS GNP (FOUR PERCENT AT THE END OF 1975), AND PROSPECTS FOR SWEDISH EXPORTS ARE LOOKING UP AS ECONOMIC RECOVERY GAINS STRENGTH IN THE INDUSTRIAL ECONOMIES. EKLOF DID ADMIT THAT SWEDISH EXPORT INDUSTRY IS SUFFERING FROM RAPID COST INCREASES (ESPECIALLY LABOR COSTS).

4. EMBASSY CERP REPORT ON SWEDISH BALANCE OF PAYMENTS FORECASTS A SIZABLE CURRENT ACCOUNT DEFICIT ONLY PARTIALLY OFFSET BY CAPITAL INFLOWS. AIRGRAM FOLLOWS.
SMITH

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